

House Engrossed Senate Bill

FILED
KEN BENNETT
SECRETARY OF STATE

State of Arizona
Senate
Fifty-first Legislature
First Regular Session
2013

CHAPTER 181

SENATE BILL 1243

AN ACT

AMENDING SECTIONS 20-108, 20-861 AND 20-893, ARIZONA REVISED STATUTES;
RELATING TO INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-108, Arizona Revised Statutes, is amended to
3 read:

4 20-108. Types of insurers excepted

5 ~~No provision of~~ This title applies DOES NOT APPLY with respect to:

6 1. Hospital and medical service corporations, except as stated in
7 chapter 4, article 3 of this title.

8 2. Fraternal benefit societies AND ASSOCIATIONS OR ORDERS AS DEFINED
9 IN SECTION 20-861, except as stated in chapter 4, article 4 of this title.

10 3. Extended warranty insurers who comply with the bond requirements of
11 section 20-108.01. For THE purposes of this paragraph "extended warranty
12 insurer" means any insurer as otherwise defined by this title that does not
13 manufacture, sell or service radio, television or sound reproduction
14 equipment and that:

15 (a) For a premium charged, not greater than twenty dollars per annum,
16 nor greater than a three-year term, provides a nonrenewable warranty,
17 guaranty or service contract on radio, television or sound reproduction
18 equipment in addition to, or as an extension of, any warranty, guaranty or
19 service provided by the manufacturer of such equipment.

20 (b) Is not otherwise authorized to transact property or casualty
21 insurance business in this state or any other governmental jurisdiction.

22 (c) Is not owned or controlled in any degree nor to any extent by a
23 person, persons or business otherwise authorized to transact property or
24 casualty insurance business in this state or any other state or jurisdiction.

25 (d) Has gross sales in this state not exceeding one hundred thousand
26 dollars annually.

27 (e) Has maximum contractual contingent liability not exceeding three
28 hundred thousand dollars in this state.

29 Sec. 2. Section 20-861, Arizona Revised Statutes, is amended to read:

30 20-861. Definitions

31 In this article, unless the context otherwise requires:

32 1. "ASSOCIATION OR ORDER" MEANS ANY ASSOCIATION OR ORDER THAT IS A
33 NON-PROFIT MILITARY MUTUAL AID ASSOCIATION, WHOSE MEMBERS ARE OFFICERS OR
34 ENLISTED, REGULAR OR RESERVE, ACTIVE, RETIRED OR HONORABLY DISCHARGED MEMBERS
35 OF THE ARMED FORCES OR SEA SERVICES OF THE UNITED STATES, AND WHOSE PRINCIPAL
36 PURPOSE IS TO PROVIDE LIFE INSURANCE AND ANNUITIES TO ITS MEMBERS AND THEIR
37 DEPENDENTS OR BENEFICIARIES.

38 ~~1.~~ 2. "Benefit contract" means an agreement for the provision of
39 benefits.

40 ~~2.~~ 3. "Benefit member" means an adult who is a member of a fraternal
41 benefit society and who is designated by the laws or rules of the society to
42 be a benefit member under a benefit contract.

43 ~~3.~~ 4. "Certificate" means a document that is issued as written
44 evidence of the benefit contract.

1 4- 5. "Fraternal benefit society" means a society, order or supreme
2 lodge without capital stock, including an incorporated or unincorporated
3 society that is exempt under section 20-893, that is conducted solely for the
4 benefit of its members and their beneficiaries, is not for profit, operates
5 on a lodge system with a ritualistic form of work, has a representative form
6 of government and provides benefits according to this article.

7 5- 6. "Laws" means the articles of incorporation, constitution and
8 bylaws of the society.

9 6- 7. "Lodge" means a subordinate member of the society, including
10 any camp, court, council, branch or other designated unit.

11 7- 8. "Premiums" means rates, dues or other required contributions
12 that are payable under the certificate.

13 8- 9. "Rules" means the rules, regulations and resolutions that are
14 adopted by the supreme governing body or board of directors and that are
15 intended to apply to the members of the society.

16 9- 10. "Society" means a fraternal benefit society.

17 Sec. 3. Section 20-893, Arizona Revised Statutes, is amended to read:

18 20-893. Exemption of societies and associations and orders from
19 insurance laws

20 A. ~~Except as otherwise provided by this article,~~ The following
21 fraternal benefit societies AND ASSOCIATIONS OR ORDERS are exempt from
22 compliance with this article and all other insurance laws of this state:

23 1. Fraternal benefit societies that were doing business in this state
24 on January 1, 1955 and that provide benefits exclusively through local or
25 subordinate lodges.

26 2. Fraternal benefit societies that admit to membership only those
27 persons who are engaged in one or more crafts or hazardous occupations, in
28 the same or similar lines of business, and that insure only their own
29 members, their families, the descendants of members and the ladies'
30 auxiliaries to those societies.

31 3. ANY ASSOCIATION OR ORDER, WITH RESPECT TO THE SALE OF LIFE
32 INSURANCE AND ANNUITIES, ONLY IF ANY POLICY OR CONTRACT ISSUED PURSUANT TO
33 THE EXEMPTION PRESCRIBED IN THIS SUBSECTION CONTAINS A CONSPICUOUSLY STAMPED
34 OR WRITTEN NOTICE IN BOLD TYPE THAT STATES:

35 THIS POLICY IS ISSUED BY AN ASSOCIATION OR ORDER THAT DOES
36 NOT POSSESS A CERTIFICATE OF AUTHORITY FROM THE DIRECTOR OF THE
37 ARIZONA DEPARTMENT OF INSURANCE. IF THE ASSOCIATION OR ORDER
38 THAT ISSUED THIS POLICY BECOMES INSOLVENT, MEMBERS OR CLAIMANTS
39 WILL NOT BE ELIGIBLE FOR INSURANCE GUARANTY FUND PROTECTION
40 PURSUANT TO TITLE 20, ARIZONA REVISED STATUTES.

41 B. EACH ASSOCIATION OR ORDER THAT INTENDS ON DOING BUSINESS IN THIS
42 STATE AND THAT IS NOT LICENSED UNDER THIS TITLE SHALL PROVIDE PROOF
43 SATISFACTORY TO THE DEPARTMENT THAT IT IS A NONPROFIT ORGANIZATION THAT IS
44 EXEMPT FROM TAXATION UNDER SECTION 501(c) OF THE INTERNAL REVENUE CODE AND IS
45 SUBJECT TO THE FOLLOWING:

1 1. ON OR BEFORE JUNE 1 OF EACH PRECEDING YEAR, EACH ASSOCIATION AND
2 ORDER SHALL FILE WITH THE DIRECTOR A TRUE AND COMPLETE STATEMENT OF ITS
3 STATUTORY FINANCIAL CONDITION, TRANSACTIONS AND AFFAIRS FOR THE PRECEDING
4 CALENDAR YEAR, AUDITED BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT TOGETHER
5 WITH AN ACTUARIAL MEMORANDUM ISSUED BY A QUALIFIED ACTUARY PURSUANT TO
6 SECTION 20-696.04, AND SHALL PAY A FILING FEE AT THE DETERMINATION OF THE
7 DIRECTOR. THE STATEMENT AND ACTUARIAL MEMORANDUM ARE APPROVED THIRTY DAYS
8 AFTER FILING UNLESS THE DIRECTOR, WITHIN THE THIRTY DAY PERIOD, HAS ISSUED AN
9 ORDER AFFIRMATIVELY APPROVING OR DISAPPROVING THE FILING.

10 2. THE DIRECTOR MAY REQUIRE AN ASSOCIATION OR ORDER TO FILE FINANCIAL
11 STATEMENTS ON A QUARTERLY BASIS AND MAY REQUIRE AN ASSOCIATION OR ORDER TO
12 FILE FINANCIAL STATEMENTS ON OTHER THAN AN ANNUAL OR QUARTERLY BASIS DUE TO
13 FACTORS OR TRENDS AFFECTING INSURERS WRITING A PARTICULAR CLASS OR CLASSES OF
14 BUSINESS OR BECAUSE OF CHANGES IN THE MANAGEMENT OR FINANCIAL OR OPERATING
15 CONDITION OF THE ASSOCIATION OR ORDER.

16 3. IF, IN THE OPINION OF THE DIRECTOR, AN ASSOCIATION OR ORDER DOES
17 NOT POSSESS SUFFICIENT CAPITAL AND SURPLUS BASED ON ELIGIBLE ASSETS PURSUANT
18 TO CHAPTER 3, ARTICLE 2 OF THIS TITLE TO MEET ITS LIABILITIES, THE DIRECTOR
19 MAY ORDER THE ASSOCIATION OR ORDER TO INCREASE ITS CAPITAL OR SURPLUS, OR
20 BOTH, TO AMOUNTS THE DIRECTOR DEEMS SUFFICIENT. IF THE ASSOCIATION OR ORDER
21 FAILS TO COMPLY WITH THE ORDER, THE DIRECTOR MAY ORDER THE ASSOCIATION OR
22 ORDER TO CEASE AND DESIST FROM ASSUMING ANY ADDITIONAL LIABILITIES IN THIS
23 STATE UNTIL SUCH TIME AS THE ASSOCIATION OR ORDER IS ABLE TO COMPLY WITH THE
24 CAPITAL AND SURPLUS REQUIREMENTS.

25 ~~B-~~ C. Except for a society prescribed by subsection A, a fraternal
26 benefit society OR ASSOCIATION OR ORDER that is exempt from the requirements
27 of this article pursuant to this section shall not give to or allow any
28 person any compensation for procuring new members.

29 ~~C-~~ D. A society that is organized and incorporated before January 1,
30 1955, that provides for benefits in case of death or disability resulting
31 solely from an accident and that does not obligate itself to pay natural
32 death or sick benefits may secure a certificate of authority under this
33 article if it was authorized before January 1, 1955. The society has all of
34 the privileges and is subject to all of the provisions of this article,
35 except that the provisions of this article relating to medical examinations,
36 standard provisions, prohibited provisions, valuations of certificates and
37 incontestability do not apply.

38 ~~D-~~ E. The director by examination or otherwise may require any
39 information that will enable him THE DIRECTOR to determine if the society OR
40 ASSOCIATION OR ORDER is exempt from this article.

APPROVED BY THE GOVERNOR MAY 2, 2013.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 2, 2013.

Passed the House April 22, 2013,

Passed the Senate February 28, 2013,

by the following vote: 38 Ayes,

by the following vote: 28 Ayes,

18 Nays, 4 Not Voting

0 Nays, 2 Not Voting

[Signature]
Speaker of the House

[Signature]
President of the Senate

[Signature]
Chief Clerk of the House

[Signature]
Assistant Secretary of the Senate

~~EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR~~

~~This Bill was received by the Governor this~~

~~_____ day of _____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Secretary to the Governor~~

~~Approved this _____ day of~~

~~_____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Governor of Arizona~~

~~EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE~~

~~This Bill was received by the Secretary of State~~

~~this _____ day of _____, 20____,~~

~~at _____ o'clock _____ M.~~

~~_____
Secretary of State~~

S.B. 1243

SENATE CONCURS IN HOUSE
AMENDMENTS AND FINAL PASSAGE

Passed the Senate April 30, 20 13

by the following vote: 28 Ayes,

0 Nays, 2 Not Voting

[Signature]
President of the Senate

Charmion Bellington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this
30 day of April, 20 13

at 3:45 o'clock P M.

Mubhaila Howard
Secretary to the Governor

Approved this 2nd day of

May

at 2:05 o'clock P M.

[Signature]
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State
this 2nd day of May, 20 13

at 4:55 o'clock P M.

[Signature]
acting Secretary of State